

FINAL RECOMMENDATION SUMMARY FORM

WORKGROUP: PRESERVATION

STRATEGIC ISSUE:		
1. Improve interagency (MSHDA, HUD, Rural Housing) and development community cooperation and communication on inventory and programs.		
FINAL RECOMMENDATION(S):	ACTION STEPS needed for follow up and implementation:	WHO must be involved in follow-up and implementation:
1. Create an interagency (MSHDA, HUD, Rural Housing) inventory of federally assisted properties, possibly through a contractor, and design a mechanism for maintaining the database. Enter baseline data by June 06 and include enough data to begin due diligence investigations for investors.	1. Each agency provides data to a contractor on each assisted multifamily rental development and includes the following: <ul style="list-style-type: none">• Characteristics• Status of Use Restriction• Level of Affordability• Status of Physical Need	1. MSHDA, HUD, RD, Contractor, industry representative
2. Create an interagency database of preservation programs and design a mechanism for maintaining the database.		2. MSHDA, HUD, RD, Contractor, industry representative
3. Design a mechanism for developers interested in preserving affordable housing to view (possibly web based) the interagency inventory data and programs.		3. MSHDA, HUD, RD, Contractor, industry representative
4. Appoint an interagency team to assist developers interested in completing their due diligence and in understanding programs.		4. MSHDA, HUD, RD, Contractor, industry representative
5. Develop an cross agency marketing		5. MSHDA, HUD, RD, Contractor,

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<p>plan to advertise preservation programs and consider the possibility of identifying MSHDA/HUD/Rural top 10 most troubled properties. Consider purchasing foreclosed HUD 202 properties, or other formerly assisted properties, as a local unit of government and remarketing them with tax exempt financing.</p> <p>6. Conduct a separate joint annual preservation conference for sophisticated developers and investors and participate in the Michigan Affordable Housing Conference.</p> <p>7. Create interagency programs with MSHDA tax exempt financing such as USDA Demonstration Program and 202 preservation programs.</p>		<p>industry representative</p> <p>6. MSHDA, HUD, RD, MAHMA, industry representative</p> <p>7. MSHDA, HUD, RD, industry representative</p>
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CHALLENGES associated with follow-up and implementation:

- Data Ownership, Software compatibility, Agency Firewalls, and ongoing commitment to keeping data fresh
- Lack of available human resources and organizational structured capacity
- Competing interests among agencies and industry partners
- Ongoing data support
- General market conditions and economic constraints

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STRATEGIC ISSUE:		
2. Recommend government funding priorities for preservation and target resources that increase the length and level of preserved affordability.		
FINAL RECOMMENDATION(S):	ACTION STEPS needed for follow up and implementation:	WHO must be involved in follow-up and implementation:
<p>1. Identify recommendations to the QAP that favor preservation. Consider the following initiatives:</p> <ul style="list-style-type: none">• Set aside 35% of LIHTC 9% rehab credits for preservation of properties that have federal assistance and where unmet needs exceed \$10,000 per unit• Limit LIHTC to no more than \$500,000 in the 9% Preservation Pool, or a comparable per/unit amount. For example, all applicants requesting more than \$500,000 should either compete for 4% credits or be placed in General Pool• Waive certain third-party reports under certain circumstances (i.e. market studies/rent comps), or alternatively, permit “short form” reports.• Eliminate application points for applicants using HOME funds, CDBG, CIP, AHP.		<p>1. MSHDA, HUD, RD, Michigan Housing Council, Developer Community (not represented by Housing Council), MAHMA, Investor Representatives, Municipalities, Congressional Delegation</p>

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<ul style="list-style-type: none"> • Support continuation of a fair and equitable selection system such as the current lottery process, or other reasonable alternate system. <p>2. Identify properties most in need of preservation either through risk of converting to market rate or loss of subsidy due to deterioration and target programs accordingly. Consider the following additional resources for these properties:</p> <ul style="list-style-type: none"> • Allocate HOME funds annually for use with 4% LIHTC transactions, but limit use to properties that are at risk of loss due to deterioration. HOME use would require that all other preservations options be exhausted. • Allocate project-based vouchers for preservation possibly where units are made available for special needs. • Working with local units of government, combine CDBG with other preservation programs. <p>3. Set aside enough bond cap to satisfy the demand for preservation of federally assisted properties eligible to prepay their MSHDA mortgages, opt out of their federal subsidy contract or where their affordable use restrictions will soon expire.</p>		<p>2. MSHDA, HUD, RD, Michigan Housing Council, Developer Community (not represented by Housing Council), MAHMA, Investor Representatives, Municipalities, Congressional Delegation</p> <p>3. MSHDA, HUD, RD, Michigan Housing Council, Developer Community (not represented by Housing Council), Investor Representative</p>
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<p>4. Develop or create incentives in exchange for increased length and level of affordability, maximize benefits to residents, and additional resident services in standard programs such as:</p> <ul style="list-style-type: none">• Increase limited distributions• Higher developer fees• Waiving of oversight fees• Waiver of minimum rehab requirements• Waiver of Tax Abatement requirements• Use of federal and state resources such as CDBG, HOME, CDEF, and Project Based Section 8 Vouchers		<p>4. MSHDA, HUD, RD, Michigan Housing Council, Developer Community (not represented by Housing Council), MAHMA, Investor Representatives, Municipalities, Congressional Delegation</p>
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CHALLENGES associated with follow-up and implementation:

- Lack of available human resources and organizational structured capacity
- Competing interests among agencies and industry partners
- Ongoing data support
- General market conditions and economic constraints
- Lack of Legislative and Congressional will

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STRATEGIC ISSUE:		
3. Develop strategies that ensure quality of property and asset management.		
FINAL RECOMMENDATION(S):	ACTION STEPS needed for follow up and implementation:	WHO must be involved in follow-up and implementation:
<ol style="list-style-type: none">1. Develop strategies that ensure agent and owners implement best practices.2. Release of Operating Assurance Escrows (to owner, not to RR) when best practices and occupancy objectives are met.3. Study other state housing agencies and multifamily lenders to determine best practices in the area of quality property an asset management. Consider:<ul style="list-style-type: none">• Initial Scope and minimum rehab requirements• Use and benefit of C.N.A.• Role of architect, plans and specifications• Managing the rehabilitation, including temporary relocation• Managing the possible transition in customers – transitioning from rent-based subsidy to LIHTC restricted units• Staff Training, including marketing experience		<ol style="list-style-type: none">1. MSHDA, HUD, RD, Michigan Housing Council, Developer Community (not represented by Housing Council), MAHMA, Investor Representatives2. MSHDA, HUD, RD, Michigan Housing Council, Developer Community (not represented by Housing Council), MAHMA, Investor Representatives3. MSHDA, HUD, RD, Michigan Housing Council, Developer Community (not represented by Housing Council), MAHMA, Investor Representatives

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<ul style="list-style-type: none">• Replacement Reserve requirements, including initial capitalization and required contributions		
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CHALLENGES associated with follow-up and implementation:

- Lack of available human resources and organizational structured capacity
- Competing interests among agencies and industry partners
- Ongoing data support
- General market conditions and economic constraints

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4. Advocate for legislation to increase preservation of affordable housing.

FINAL RECOMMENDATION(S):	ACTION STEPS needed for follow up and implementation:	WHO must be involved in follow-up and implementation:
<p>1. Actively advocate and support these Congressional initiatives (in priority order):</p> <ul style="list-style-type: none"> a. Double the current LIHTC allocation to \$3.70 per capita b. Provide an exclusion of gain for qualified sales of multi-family housing c. Authorize housing preservation matching grants to states d. Create a tax-based Employer Assisted Housing Program e. Authorize the continued use of Section 8 subsidy on REO family and non-202 elderly developments when purchased by a local unit of government f. Authorize the transfer of Section 8 contract authority from one region/development of the country to another g. Permit existing tenants in supportive housing to use PBEVs h. Limit rent paid by tenants receiving Enhanced Vouchers to pay no more than 30% of income regardless of decrease in tenant's contribution. <p>2. Actively oppose the President's Advisory Panel on Federal Tax Reform</p>		<p>1. MSHDA, HUD, RD, Michigan Housing Council, Developer Community (not represented by Housing Council), MAHMA, Investor Representatives, Municipalities, Congressional Delegation, Legislature, Executive Office</p> <p>2. MSHDA, HUD, RD, Michigan Housing Council, Developer Community (not</p>

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<p>recommendations to eliminate the LIHTC.</p> <p>3. Recommend and Actively advocate for the following state initiatives (in order of priority):</p> <ol style="list-style-type: none"> a. Amend MCLA 211.7Id) – continued tax abatement for certain elderly and disabled developments b. Create local property tax exemption and tax limitation increases for certain core and inner ring housing developments c. Create the Michigan Affordable Housing Tax Credit d. Create a program to provide 50% tax assessment reduction for rehabbed and preserved Section 8 and Section 236 developments e. Require local assessors to exclude tax credits, subsidized mortgage financing and grants from assessment analysis 		<p>represented by Housing Council), MAHMA, Investor Representatives, Municipalities, Congressional Delegation, Legislature, Executive Office.</p> <p>3. MSHDA, HUD, RD, Michigan Housing Council, Developer Community (not represented by Housing Council), MAHMA, Investor Representatives, Municipalities, Congressional Delegation, Legislature, Executive Office</p>
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CHALLENGES associated with follow-up and implementation:

- Competing interests of various advocacy groups
- Lack of congressional and legislative will
- Lack of financial resources
- Lack of available human resources and organizational structure and capacity
- General Market and economic considerations and constraints

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STRATEGIC ISSUE:		
5. Understand the complexity and appropriateness of programs and regulations and identify and consider successful funding models.		
FINAL RECOMMENDATION(S):	ACTION STEPS needed for follow up and implementation:	WHO must be involved in follow-up and implementation:
<ol style="list-style-type: none">1. Consider statewide market conditions and the existence of affordable housing in various communities. Study commissioned statewide market study and/or conduct surveys and focus groups to identify:<ul style="list-style-type: none">• Identify appropriate rents and vacancy projections.• Target efforts to support preservation over new construction.• Need/desirability for various resident services or amenity improvements and the effect they have on rents.2. Create a tool to assist owners or prospective buyers to properly evaluate and choose the product(s) that best meet the needs of the parties and promotes long-term affordable housing preservation.<ul style="list-style-type: none">• Identify and publish successful preservation product offerings.• Disseminate preservation products and LIHTC information		<ol style="list-style-type: none">1. MSHDA, HUD, RD, Michigan Housing Council, Developer Community (not represented by Housing Council), MAHMA, Investor Representatives, Municipalities2. MSHDA, HUD, RD, Michigan Housing Council, Developer Community (not represented by Housing Council), MAHMA, Investor Representatives, Municipalities

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<p>to industry representatives.</p> <ul style="list-style-type: none"> • Create a bulletin board to match sellers and buyers. <p>3. Revise existing programs to achieve a simplified process through elimination of unnecessary bureaucracy. Create financing models that maximize:</p> <ul style="list-style-type: none"> • Length and level of affordability • Benefit to the residents • Resident services • The number of affordable units preserved <p>3. Convene a team to annually to Identify other funding resources that leverage/supplement preservation products and publish.</p> <p>4. Partner with regional and national tax credit syndicators to market preservation products.</p>		<p>3. MSHDA, HUD, RD, Michigan Housing Council, Developer Community (not represented by Housing Council), MAHMA, Investor Representatives, Municipalities</p> <p>4. MSHDA, HUD, RD, Michigan Housing Council, Developer Community (not represented by Housing Council), MAHMA, Investor Representatives, Municipalities</p> <p>5. MSHDA, HUD, RD, Michigan Housing Council, Developer Community (not represented by Housing Council), MAHMA, Investor Representatives, Municipalities</p>
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CHALLENGES associated with follow-up and implementation:

- Lack of available human resources and organizational structured capacity
- Competing interests among agencies and industry partners
- Ongoing data support
- General market conditions and economic constraints